

Message Text

SECRET

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ACTION SS-30

INFO OCT-01 ISO-00 /031 W

----- 053569

R 220932Z MAR 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 8204

INFO AMCONSUL HONG KONG AWYWY

AMEMBASSY MOSCOW

USLO PEKING

AMEMBASSY TOKYO

S E C R E T SECTION 1 OF 2 VIENTIANE 2352

EXDIS

E.O. 11652: GDS

TAGS: PFOR, EAID, UR, US, LA

SUBJECT: LAO RECONSTRUCTION AND ECONOMIC DEVELOPMENT

REF: A. TOKYO 3033

B. TOKYO 3032

C. MOSCOW 2717

D. VIENTIANE 1119

E. BANGKOK 1868

F. VIENTIANE 2288

SUMMARY: IT APPEARS TO THIS MISSION THAT A CONSENSUS MAY EXIST FOR THE FORMATION OF A CONSULTATIVE GROUP (CG) FOR AID TO LAOS, UNATTACHED TO ANY OVERALL INDOCHINA FORUM. IT IS MOST IMPORTANT AND SIGNIFICANT THAT THE GOJ, OUT OF FRUSTRATION WITH LACK OF PROGRESS ON THE FORMATION OF AN OVERALL INDOCHINA GROUP, MAY NOW BE WILLING TO PARTICIPATE IN A SEPARATE CG FOR LAOS. WE ALSO FORESEE PROBABLE AGREEMENT TO THE IDEA OF A SEPARATE CG FOR LAOS ON THE PART OF OTHER CURRENT ASSISTANCE DONORS TO LAOS, SUCH AS THE UK, AUSTRALIA, CANADA, WEST GERMANY, CERTAINLY FRANCE AND THE ADB. END SUMMARY

1. OUR CURRENT ASSESSMENT OF POSITION OF VARIOUS COUNTRIES

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AND THE LAO PATRIOTIC FRONT TOWARD A SEPARATE AID GROUP FOR

LAOS IS AS FOLLOWS:

USSR: THOUGH WE DO NOT HAVE A SOLID OPINION AS TO THE POSITION THE SOVIETS MIGHT TAKE, WE ARE MOST ENCOURAGED BY AMEMBASSY/MOSCOW'S COMMENTS (REF C) ON OUR SUGGESTION IN VIENTIANE 1119. AS INDICATED BELOW, THERE IS SIGNIFICANT INTEREST ON THE PART OF A CONSIDERABLE ARRAY OF COUNTRIES IN ASSISTING LAOS. WE BELIEVE MOST, IF NOT ALL, OF THESE COUNTRIES WOULD SERIOUSLY CONSIDER PARTICIPATING IN A SEPARATE CG FOR LAOS, PARTICULARLY IF THE SOVIETS COULD BE PERSUADED TO PARTICIPATE. RE PARA 6 OF MOSCOW' 2717, THIS MISSION WOULD SEE NO OBJECTION, INDEED WOULD ENCOURAGE A "GREAT FANFARE" BY THE SOVIETS IN HELPING TO ESTABLISH A LAOS CG.

CHINA: AGAIN WE HERE HAVE NO WAY OF ASSESSING WHAT PEKING'S REACTION MIGHT BE TO A CG FOR LAOS WITH SOVIET PARTICIPATION. WE WOULD APPRECIATE AN ASSESSMENT OF CHINA'S REACTION FROM THE APPROPRIATE AGENCIES IN WASHINGTON.

LAO PATRIOTIC FRONT AND NORTH VIETNAM: PUBLIC AND PRIVATE PRONOUNCEMENTS OF RESPONSIBLE LPF OFFICIALS INDICATE THAT THE LPF, AS A PARTICIPANT IN THE NEW COALITION GOVERNMENT, IS READY TO ACCEPT AID FROM ANY COUNTRY WITHOUT POLITICAL CONDITIONS ATTACHED--BILATERAL AND MULTILATERAL--PROVIDED IT CLEARLY BENEFITS THE PEOPLE OF LAOS IN BOTH ZONES, IS UNITED AND IS OFFERED DIRECTLY TO LAOS. LPF STATEMENTS ALSO INCLUDE A POLICY OF WORKING TOWARD SELF-SUFFICIENCY AS SOON AS POSSIBLE. LPF OFFICIAL, SOTH PHETRASY, STRESSED THE NEED FOR LAO INDEPENDENCE FROM ALL PARTIES, INCLUDING ITS CLOSEST NEIGHBORS, TO A NORWEGIAN DIPLOMAT IN JANUARY. THIS WOULD PRESUMABLY INCLUDE NORTH VIETNAM. WHETHER HANOI WOULD PERMIT THIS REMAINS TO BE SEEN. HOWEVER, MULTILATERAL ASSISTANCE THROUGH A SEPARATE A CG MECHANISM WOULD STRENGTHEN THE LPF'S HAND IN ITS BID FOR INDEPENDENCE. THEREFORE, ON THE ASSUMPTION THAT THESE LPF STATEMENTS REFLECT ITS TRUE VIEW, A SEPARATE CG FOR LAOS WITH SOVIET INVOLVEMENT WOULD APPEAR EMINENTLY POSSIBLE AND DESIREABLE.

JAPAN: INDICATIONS ARE (REF A) THAT THE GOJ IS BECOMING PESSIMISTIC CONCERNING THE FORMATION OF AN OVERALL INDOCHINA
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CONSULTATIVE GROUP WITH RELATED SUB-GROUPS. THE RECALCITRANCE OF NORTH VIETNAM ON THE QUESTION OF ESTABLISHING DUTCH AND JAPANESE EMBASSIES IN HANOI HAS DAMPENED JAPANESE HOPES OF FOSTERING BETTER RELATIONS WITH NORTH VIETNAM. THE GOJ HAD HOPED THAT THE ESTABLISHMENT OF AN OVERALL INDOCHINA CONSULTATIVE GROUP WOULD PROVIDE THE UMBRELLA UNDER WHICH A SUBGROUP FOR NORTH VIETNAM COULD BE FORMED. THE GOJ NOW, HOWEVER, SEEMS WILLING TO GO AHEAD IN THE FORMATION OF GROUPS WITHOUT

NORTH VIETNAMESE PARTICIPATION, LEAVING THE DOOR OPEN TO NORTH VIETNAM IF AND WHEN IT SEES FIT TO JOIN. PER REF C, THE GOJ IS WILLING TO CONSIDER ADDITIONAL BILATERAL AID TO LAOS FOLLOWING THE FORMATION OF A NEW COALITION GOVERNMENT. IF THE INITIATIVE WERE TAKEN AND SPECIFIC PROPOSAL WERE MADE BY PRIME MINISTER SOUVACHH PHOUMA, AFTER THE FORMATION OF THE NEW COALITION

GOVERNMENT, THAT A SEPARATE CG FOR LAOS BE FORMED, WE BELIEVE THE JAPANESE WOULD CONSIDER SUCH A PROPOSAL FAVORABLY.

U.K. THE BRITISH GOVERNMENT IS NOW PARTICIPATING (AS ARE JAPAN, AUSTRALIA AND FRANCE) IN WHAT AMMOUNTS TO A SEPARATE MULTILATERAL GROUP FOR LAOS, ALBEIT RESTRICTED TO STABILIZATION ASSISTANCE (FOREIGN EXCHANGE OPERATIONS FUND). UNLESS U.K. POLICY, WITH ITS NEW GOVERNMENT, CHANGES SIGNIFICANTLY TOWARD LAOS, WE HAVE AMPLE REASON TO BELIEVE TI WOULD ALSO BE WILLING TO JOIN A SEPARATE CG FOR LAOS--ALSO AFTER FORMATION OF THE NEW GOVERNMENT UPON REQUEST OF THE PRIME MINISTER.

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AMEMBASSY TOKYO

S E C R E T SECTION 2 OF 2 VIENTIANE 2352

EXDIS

AUSTRALIA: LIKE THE U.K., THE GOA PARTICIPATES IN THE STABILIZATION ASSISTANCE GROUP. AUSTRALIAN PRIME MINISTER WHITLAM, IN HIS RECENT VISIT TO LAOS, GAVE EVERY IMPRESSION THAT THE GOA WAS INTERESTED IN CONTINUING ASSISTANCE TO LAOS, PARTICULARLY IN THE DEVELOPMENT FIELD WHICH WOULD BE A BASIC CONSID-

ERATION FOR A LAOS CG.

FRANCE: CONTINUING GOF INTEREST IN ITS TRADITIONAL SOCIAL/CULTURAL AND POLITICAL TIES WITH LAOS WOULD INDICATE THAT, ALTHOUGH THE FRENCH SEEM TO PREFER BILATERAL TIES, THEY MIGHT WELL SERIOUSLY CONSIDER PARTICIPATING IN A SEPARATE CCY#

GJMOPLSXIQ1FUBEUHXVZH&TTMZ#
LEMENTATION OF PROJECTS CARRIED
OUT BILATERALLY, WHICH, INCIDENTALLY, IS THE TYPE OF ASSISTANCE
GROUP ARRANGEMENT THIS MISSION RECOMMENDS.

CANADA: IN SPITE OF GOC'S CURRENT ATTITUDE TOWARD ITS CONTINUING PARTICIPATION IN THE LAOS/ICC, CANADA HAS PARTICIPATED
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IN THE PAST IN MULTICOUNTRY PROJECTS IN FORESTRY IN LAOS. THE GOC HAD PLEDGED A \$2.5 MILLION CONTRIBUTION TO PHASE II OF THE NAM NGUM DAM PROJECT, WHICH IN ITSELF IS A MULTILATERAL PROGRAM. CANADA HAS ALSO INDICATED ITS WILLINGNESS TO CONSIDER ADDITIONAL ASSISTANCE TO LAOS IN THE FIELDS OF HYDROPOWER, FORESTRY, AND MINERAL RESOURCES EXPLORATION. WE BELIEVE THE GOC WOULD RESPOND POSITIVELY TO A LAO GOVERNMENT PROPOSED CG FOR LAOS.

WEST GERMANY: THE FRG HAS BUILT AND PROVIDES OPERATIONAL SUPPORT FOR A TECHNICAL SCHOOL IN VIENTIANE, HAS EXISTING LOANS FOR ELECTRIFICATION IMPROVEMENTS IN VIENTIANE, HAS PLEDGED \$3.6 MILLION TO THE MULTILATERAL NAM NGUM PROJECT AND INDICATES CONTINUING INTEREST IN ASSISTING LAOS. PER REF F, THE FRG RECENTLY INDICATED IT WAS WILLING TO INCREASE ITS AID TO LAOS.

ADB: THE ADB IS HEAVILY INVOLVED IN ASSISTANCE TO LAOS INCLUDING JOINT PROJECTS WITH GERMAN AND JAPANESE AS WELL AS ACTING AS ADMINISTRATOR OF PHASE II OF THE MULTILATERAL NAM NGUM PROJECT. ITS CONTINUATION OF ASSISTANCE TO LAOS IN LAO PROJECTS OR MULTILATERAL FORA CAN BE ASSUMED.

OTHER DONORS: BESIDES A \$1.5-3 MILLION ANNUAL UNDP PROGRAM, OTHER BILATERAL DONORS ARE CURRENTLY PROVIDING ASSISTANCE TO LAOS (NEW ZEALAND, INDIA, ISRAEL, BELIGUM, THAILAND) IN VARYING AMOUNT, AND UPON REQUEST OF THE NEW LAO GOVERNMENT, WE ALSO BELIEVE SEVERAL OF THESE COUNTRIES WOULD CONSIDER PARTICIPATION IN A SEPARATE CG FOR LAOS.

2. IN VIEW OF CURRENT SUSPICIONS AND NEGATIVE REACTIONS (REF E) OF THE U.K., NETHERLANDS, JAPAN, WEST GERMANY, CANADA, AND THE UNDP TO THE WAY IBRD/ADB/FAO HANDLED THE MCC-SUPPORTED PIONEER AGRICULTURE PROJECTS PROGRAM, WE PROPOSE THAT A SCENARIO LEADING TO A LAOS CG NOT INCLUDE THE IBRD AND ADB AS THE FOCAL POINT OR CHAIRMAN OF A PROSPECTIVE GROUP. RATHER WE WOULD RECOMMEND THAT THE PRIME MINISTER PROPOSE A MEETING OF ALL INTERESTED PARTICIPANTS IN ASSISTANCE TO LAOS FOR THE PURPOSE OF ESTABLISHING A SEPARATE CG FOR LAOS AS SOON AS POSSIBLE AFTER THE FORMATION OF THE NEW PGNU. WE FURTHER PROPOSE THAT THE DEPARTMENT AUTHORIZE THE AMBASSADOR TO DISCUSS THE SECRET

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IDEA WITH PRIME MINISTER SOUVANNA PHOUMA, INCLUDING THE STRONG RECOMMENDATION THAT THE PRIME MINISTER APPROACH THE RUSSIANS BEFOREHAND AND ATTEMPT TO ENLIST THEIR SUPPORT AND CENTRAL PARTICIPATION.

3. WOULD APPRECIATE THE DEPARTMENT'S REACTION AND INSTRUCTIONS.

WHITEHOUSE

NOTE BY OC/T: VIENTIANE 2352 (##) OMISSION. CORRECTION TO FOLLOW.

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